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COMMITTEE ON GOVERNMENT REFORM — MINORITY STAFF  
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**OVER ONE THOUSAND JOBLESS WORKERS IN THE  
FAYETTEVILLE METRO AREA  
WILL SOON LOSE UNEMPLOYMENT BENEFITS**

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**PREPARED FOR REP. BOB ETHERIDGE**

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## **EXECUTIVE SUMMARY**

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The U.S. economy has been marked by over two years of near-constant job losses. Since January 2001, the economy has lost almost 2.5 million private-sector jobs. Nationally, the unemployment rate reached an eight-year high of 6.4% in June 2003. Although the unemployment rate has decreased slightly over the last several months, the total number of unemployed workers, the number of long-term unemployed, and the number of workers exhausting unemployment benefits are well above their levels at the end of 2000. And in December 2003, hundreds of thousands of discouraged workers dropped out of the labor market.

Traditionally, the federal-state unemployment insurance program has provided a safety net for unemployed workers during economic downturns and in the early stages of economic recoveries. In most states, benefits are paid for a maximum of 26 weeks. However, during economic recessions or periods of high unemployment, the federal government will extend unemployment benefits to ensure that workers who are unable to find a job do not lose all benefits.

The current benefits extension, which provided 13 additional weeks of unemployment insurance for most workers, expired on December 31, 2003. These benefits cannot be extended without new legislation. The Bush Administration has not pushed for an extension, and Republican leaders in the House have actively opposed an extension. Thus, the prospects for any extension of unemployment benefits are slim.

At the request of Rep. Bob Etheridge, this analysis estimates the number of unemployed workers in the Fayetteville metro area who are likely to lose their benefits due to the expiration of the unemployment insurance extension. It estimates that approximately 1,500 workers in the Fayetteville metro area are likely to lose unemployment benefits in the first six months of 2004 if congressional inaction continues. The failure to extend benefits would also result in the Fayetteville metro area losing an economic stimulus of up to \$9 million.

## **BACKGROUND**

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The federal-state unemployment insurance program is designed to provide benefits to eligible workers who are unemployed. In most states, benefits are paid for a maximum of 26 weeks. However, during economic recessions or periods of high unemployment, the federal government will temporarily extend unemployment benefits to ensure that workers who are unable to find a job do not lose all benefits. In fact, Congress has provided for an extension of unemployment insurance during every recession since 1958. After the 1991 recession, for example, benefits were extended for a two and a half-year period, from November 1991 through April 1994.<sup>1</sup>

In March 2002, in response to the ongoing economic slowdown, Congress passed the Temporary Extended Unemployment Compensation Act of 2002 (TEUC). The legislation gave an additional 13 to 26 weeks of 100% federally financed unemployment benefits for workers in states that were hit hard by the economic downturn. This extension was designed to help working Americans who were unemployed and unable to find a job. In addition to helping unemployed workers, the benefits were intended to provide a stimulus to economies in the affected states.

Unemployment benefits under the TEUC program ended on December 28, 2002. After allowing the program to expire, Congress reversed itself in January 2003 and extended unemployment benefits.<sup>2</sup> The legislation provided an additional 13 weeks of unemployment insurance for most workers.<sup>3</sup> Unemployment benefits were extended again in May 2003 but they expired on December 31, 2003.<sup>4</sup>

Although the employment situation has improved in recent months, with the economy showing some job growth and unemployment declining, employment conditions are presently worse than they were in March 2002, when unemployment benefits were initially extended. Relative to March 2002, the unemployment rate has remained the same, the total number of jobs has declined,<sup>5</sup>

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<sup>1</sup> Congressional Research Service, *Temporary Programs to Extend Unemployment Compensation* (Jan. 24, 2003).

<sup>2</sup> Public Law 108-1.

<sup>3</sup> For workers in defined “high unemployment” states, the legislation provided for 26-week extensions. These states were Alaska, Connecticut, Massachusetts, Oregon, Pennsylvania, and Washington. Department of Labor, *TEUC Trigger Notice* (May 11, 2003) (online at [www.workforcesecurity.doleta.gov/unemploy/teuc/teuc69.html](http://www.workforcesecurity.doleta.gov/unemploy/teuc/teuc69.html)).

<sup>4</sup> Public Law 108-26.

<sup>5</sup> There were 109,034,000 private sector jobs in March 2002 compared to 108,629,000 in January 2004. Bureau of Labor Statistics, *Employment and Unemployment Data* (2004).

the total number of jobless workers has increased,<sup>6</sup> and the number of long-term unemployed workers has increased.<sup>7</sup> In January 2004, the unemployment rate declined from 5.7% to 5.6%. However, during this month job creation was significantly lower than expected, a “disappointing” figure that left analysts concerned about the economy’s ability to create new jobs.<sup>8</sup>

Regardless of these unfavorable employment statistics, Congress allowed the TEUC program to expire. Republican leaders have opposed an extension of the program, and the Bush Administration has not pushed for an extension.<sup>9</sup>

House Democrats on February 4, 2003, were able to obtain a vote on the House floor that authorized funding an unemployment benefits extension through the Community Development Block Grant program.<sup>10</sup> However, analysts indicated that the vote was “largely symbolic” because in order to actually extend benefits, the Senate would have to approve the measure and funds would have to be appropriated for it.<sup>11</sup> Moreover, House Majority Leader Tom Delay has indicated that the amendment would be stripped from the legislation before final passage.<sup>12</sup> Thus, prospects for an extension remain slim.

A continued failure by Congress to pass legislation to help unemployed Americans would terminate the benefits of millions of Americans. In January 2003, an estimated 375,000 workers lost benefits.<sup>13</sup> By July 1, 2003, almost two

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<sup>6</sup> There were 8.2 million unemployed workers in March 2002 compared to 8.3 million unemployed workers in January 2004. *Id.*

<sup>7</sup> There were 1.3 million long-term (more than 27 weeks) unemployed workers in March 2002 compared to 1.9 million in January 2004. *Id.*

<sup>8</sup> *January Payrolls Weaker Than Expected*, Reuters (Feb. 6, 2004); *Payrolls Grow Below Forecast*, CNN (Feb. 6, 2004) (online at <http://money.cnn.com/2004/02/06/news/economy/jobs/index.htm>).

<sup>9</sup> *Delay Says House Will Not Take up Unemployment Benefits*, Congress Daily (Dec. 8, 2003); *Snow Unsure of Benefit Extension*, Reuters (Dec. 5, 2003).

<sup>10</sup> H.R. 3030, *To amend the Community Service Block Grant Act to Provide for Quality Improvements*, Roll Call Vote No. 18 (Feb. 4, 2004). One hundred and eighty-seven Democrats voted for the amendment, with none voting against it. Thirty-nine Republicans voted for the amendment, with 179 voting against it.

<sup>11</sup> *House Backs Extended Jobless Benefits*, Washington Post (Feb. 5, 2004).

<sup>12</sup> *House OK’s Amendment to Extend Unemployment Benefits*, Congress Daily (Feb. 5, 2003).

<sup>13</sup> Center on Budget and Policy Priorities, *Unmet Need Hits Record Level for the Unemployed* (Feb. 2, 2004).

## Over One Thousand Jobless Workers in the Fayetteville Metro Area Will Soon Lose Unemployment Benefits

million additional workers will lose benefits if Congress does not extend the TEUC program.<sup>14</sup>

### OBJECTIVE AND METHODOLOGY

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Rep. Bob Etheridge represents North Carolina's 2nd Congressional District, which is in the Fayetteville metro area. Rep. Etheridge requested this analysis in order to estimate the impact of the termination of federal unemployment benefits in the region. The analysis is based upon state and metropolitan area data on the number of unemployed workers and statewide estimates of the number of unemployed workers who will lose benefits.

### FINDINGS

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#### Unemployment in the Fayetteville Metro Area

Data from the Bureau of Labor Statistics indicates that there are 242,400 unemployed workers in North Carolina. Of these 242,400 unemployed workers, 6,000 are in the Fayetteville metro area.<sup>15</sup> The statewide unemployment rate is 5.8%, and the unemployment rate in the Fayetteville metro area is 4.7%.<sup>16</sup>

Statewide, there are 103,985 individuals currently receiving unemployment insurance in North Carolina.<sup>17</sup> This analysis estimates that 2,600 of these unemployed workers are in the Fayetteville metro area.<sup>18</sup> The average unemployment insurance benefit in North Carolina is \$256 per week.<sup>19</sup>

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<sup>14</sup> *Id.*

<sup>15</sup> Bureau of Labor Statistics, *Civilian Labor Force and Unemployment by State and Metro Area* (Jan. 2004) (online at <http://www.bls.gov/news.release/metro.t01.htm>).

<sup>16</sup> *Id.*

<sup>17</sup> Department of Labor, *Unemployment Insurance Weekly Claims Report* (Jan. 24, 2004) (online at <http://www.ows.doleta.gov/unemploy/page8/2003/122703.html>).

<sup>18</sup> Bureau of Labor Statistics data indicates that 2% of all unemployed workers in the state are in the Fayetteville metro area. This analysis estimates that 2% of the individuals in the state receiving unemployment insurance benefits are also in the Fayetteville metro area.

<sup>19</sup> Department of Labor, *Summary Data for State Programs, by State, Report Period between 11/1/03 and 11/30/03* (Dec. 2003) (online at <http://www.ows.doleta.gov/unemploy/txtdocs/sumnov03.html>).

## **The Impact of the Expiration of Unemployment Insurance in the Fayetteville Metro Area**

The date on which unemployed workers lose their unemployment benefits depends on how long the workers have been out of work.

If an extension of the unemployment insurance program is not revived, analysts have estimated that an average of 2,370 North Carolina workers will lose unemployment benefits each week in the first six months of 2004. In total, between January 1 and June 31, 2004, an estimated 61,596 workers in the state will lose unemployment benefits.<sup>20</sup> An estimated 1,500 of these workers are in the Fayetteville metro area.<sup>21</sup>

## **Lost Economic Stimulus in the Fayetteville Metro Area from Failure to Extend Unemployment Benefits**

Because extended unemployment benefits are paid to workers who are in immediate need, these benefits are spent rapidly and provide a significant economic stimulus for communities. A February 2003 analysis estimated that every dollar paid in extended unemployment benefits boosts economic output by \$1.73.<sup>22</sup>

If Congress extended the TEUC program to provide unemployment benefits for 13 additional weeks, workers in North Carolina would receive up to \$205 million in unemployment benefits between January 1, 2004, and June 31, 2004. This would result in a stimulus to the statewide economy of up to \$355 million.<sup>23</sup> In the Fayetteville metro area, workers would receive up to approximately \$5 million in unemployment benefits between January 1 and June 31, 2004.<sup>24</sup> This would result in a stimulus to the local economy of up to \$9 million.

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<sup>20</sup> Center on Budget and Policy Priorities, *supra* note 13.

<sup>21</sup> This analysis estimates that 2% of all individuals losing unemployment insurance are in the Fayetteville metro area. *See* note 18.

<sup>22</sup> Economy.com, *Fiscal Stimulus*, Regional Economic Review, 14 (Feb. 2003). These funds are spent rapidly and cycle throughout the economy, causing a ripple effect that increases dollar-for-dollar GDP growth by more than the original expenditure.

<sup>23</sup> This estimate assumes that each of the 61,596 workers receives the average statewide benefit (\$256) for 13 weeks.

<sup>24</sup> This estimate assumes that each unemployed worker in the area receives the average statewide benefit for 13 weeks.